

Benefit Types and Levels

Benefits payable to workers who retire at the normal retirement age—currently age 65—and to disabled workers are equal to 100 percent of the primary insurance amount (PIA) [subject, as are all monthly benefits, to any applicable deductions as well as to the rounding provisions]. The normal retirement age is scheduled to rise gradually from 65 to 67, with the first increase affecting workers who reach age 62 in the year 2000, as shown in table 2.A20.

Retired workers are eligible to receive benefits at a permanently reduced rate beginning at age 62. The extent of reduction depends on the number of benefit payments received for months before the normal retirement age. The annual rate of reduction amounts to $6\frac{2}{3}$ percent for each of the first 3 years, and eventually, 5 percent for each of the next 2 years the worker receives benefits before the normal retirement age—see table 2.A20. Thus workers receiving benefits at age 62 currently are eligible to receive benefits equal to 80 percent of the PIA. This rate will decline to 75 and 70 percent, respectively, as the normal retirement age increases, in stages, first to age 66, and later to age 67. Disabled workers may receive reduced benefits if they previously received a reduced retirement benefit.

Workers who postpone their retirement beyond the normal retirement age have their benefits increased through the delayed retirement credit for each month benefits are foregone due to earnings above the exempt amount under the earnings test. The annual rate of increase under the delayed retirement credit is $6\frac{1}{2}$ percent for workers who reach age 62 in 1999 or 2000. The size of the credit will increase to 7 percent in 2001 and eventually rise to 8 percent for workers reaching age 62 in 2005 or later—see table 2.A20.

Spouses of retired or disabled workers are eligible for monthly benefits at age 62. Their benefits are

equal to 50 percent of the worker's PIA for first entitlement at the normal retirement age but are permanently reduced if payments begin earlier. The annual rate of reduction is $8\frac{1}{3}$ percent for the first 3 years, and eventually, 5 percent for the next 2 years the spouse receives benefits before reaching the normal retirement age—see table 2.A21. Children of retired or disabled workers are also eligible to receive monthly benefits equal to 50 percent of the worker's PIA, as are spouses under age 65 who are caring for at least one child under age 16 or disabled child aged 16 or older of the worker. Monthly benefits payable to the spouse and children of a retired or disabled worker are reduced so that total benefits do not exceed the maximum family benefit amount payable on the worker's account. Benefits for a divorced spouse, however, are disregarded for purposes of the maximum family benefit provision.

Widows and widowers of fully insured workers are first eligible for monthly benefits at age 60 or, if disabled, at age 50—see table 2.A22. The benefit amount payable to widows and widowers first entitled to benefits at age 60 or before is equal to 71.5 percent of the worker's PIA, plus any delayed retirement credit the deceased worker would be receiving. The proportion of the PIA payable rises in even monthly increments from 71.5 percent at age 60 to 100 percent at the normal retirement age. For widows and widowers first entitled to benefits at age 62 or later, the benefit amount under the above formula is limited, if the worker had received benefits before normal retirement age, to the greater of the amount the worker would be receiving if still living or 82.5 percent of the PIA.

Children of deceased workers are eligible to receive monthly benefits equal to 75 percent of the worker's PIA, as are mothers and fathers under age 65 who are caring for at least one child under age 16 or disabled child aged 18 or older of the worker. A

dependent parent aged 62 or older is eligible for monthly benefits equal to 82.5 percent, and each of two dependent parents, for benefits equal to 75 percent of the deceased worker's PIA. Monthly benefits payable to survivors are reduced to conform to the family maximum benefit payable on the deceased worker's account. Benefits for a surviving divorced spouse, however, are disregarded for purposes of the family maximum benefit provision.

Tables 2.A23 and 2.A24 show the history of legislation relating to special monthly benefits payable to certain persons born before January 2, 1900. Table 2.A25 summarizes the history of certain OASDI benefits other than monthly benefit payments.

Table 2.A26 presents illustrative monthly benefit amounts for selected beneficiary families based on hypothetical earnings histories representing five different earnings levels. Table 2.A27 shows minimum and maximum monthly benefits payable to retired workers retiring at age 62 in various years beginning with 1957, the first full year benefits became available at age 62. Table 2.A28 shows minimum and maximum monthly benefits payable to retired workers retiring at age 65 in various years beginning with 1940.